合景悠活
KWG LIVING

KWG Living Group Holdings Limited
合景悠活集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3913)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

SUMMARY OF INTERIM RESULTS

- Revenue for the six months ended 30 June 2025 amounted to approximately RMB1,658.1 million, representing a decrease of 13.8% as compared with the corresponding period in 2024.
- Gross profit for the six months ended 30 June 2025 amounted to approximately RMB418.8 million, representing a decrease of 25.7% as compared with the corresponding period in 2024.
- Loss for the six months ended 30 June 2025 amounted to approximately RMB276.6 million, which is a turnaround from profit for the corresponding period in 2024.

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

The board (the "**Board**") of directors (the "**Directors**") of KWG Living Group Holdings Limited (the "**Company**") announces its unaudited condensed consolidated financial results of the Company and its subsidiaries (the "**Group**", "**we**", "**us**" or "**our**") for the six months ended 30 June 2025, together with the corresponding comparative figures for the six months ended 30 June 2024. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2025 (the "**Interim Financial Information**") has been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June 2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
REVENUE	4	**1,658,137**	1,923,371
Cost of sales		**(1,239,313)**	(1,359,398)
Gross profit		**418,824**	563,973
Other income and gains	5	**7,473**	8,770
Selling and distribution expenses		**(2,261)**	(2,768)
Administrative expenses		**(206,665)**	(238,960)
Other expenses, net		**(370,291)**	(220,402)
Finance costs		**(11,082)**	(17,455)
Share of (loss)/profit of:			
Joint ventures		**(278)**	4,174
Associates		**93**	1,301
(LOSS)/PROFIT BEFORE TAX	6	**(164,187)**	98,633
Income tax expenses	7	**(112,439)**	(28,741)
(LOSS)/PROFIT FOR THE PERIOD		**(276,626)**	69,892
Attributable to:			
Owners of the parent		**(268,121)**	57,838
Non-controlling interests		**(8,505)**	12,054
		(276,626)	69,892
(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic (expressed in RMB cents per share)	8	**(13.23)**	2.85
Diluted (expressed in RMB cents per share)	8	**(13.23)**	2.85

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2025	2024
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	**(276,626)**	69,892
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(58,304)**	(10,383)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**45,424**	16,834
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(12,880)**	6,451
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(289,506)**	76,343
Attributable to:		
Owners of the parent	**(281,001)**	64,289
Non-controlling interests	**(8,505)**	12,054
	(289,506)	76,343

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**33,654**	60,099
Investment properties		**3,936**	3,936
Goodwill	*9*	**629,446**	713,896
Other intangible assets		**347,545**	383,358
Investment in joint ventures		**31,142**	11,420
Investment in associates		**6,683**	7,753
Deferred tax assets		**255,018**	313,883
Other non-current assets		**2,842**	3,498
Total non-current assets		**1,310,266**	1,497,843
CURRENT ASSETS			
Trade receivables	*10*	**2,845,194**	2,783,640
Prepayments, other receivables and other assets		**653,494**	694,949
Restricted cash		**49,643**	62,478
Cash and cash equivalents		**1,140,923**	1,145,614
Total current assets		**4,689,254**	4,686,681
CURRENT LIABILITIES			
Trade payables	*11*	**663,243**	609,032
Other payables and accruals		**1,123,380**	1,046,868
Contract liabilities	*4*	**285,568**	269,120
Lease liabilities		**9,224**	2,425
Interest-bearing bank and other borrowings		**132,327**	126,293
Tax payable		**511,005**	494,785
Total current liabilities		**2,724,747**	2,548,523
NET CURRENT ASSETS		**1,964,507**	2,138,158
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,274,773**	3,636,001

	As at	
	30 June	31 December
	2025	2024
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Lease liabilities	**8,633**	3,495
Interest-bearing bank and other borrowings	**334,695**	397,832
Deferred tax liabilities	**86,566**	92,563
Total non-current liabilities	**429,894**	493,890
Net assets	**2,844,879**	3,142,111
EQUITY		
Share capital	**17,568**	17,568
Reserves	**2,540,442**	2,820,848
Equity attributable to owners of the parent	**2,558,010**	2,838,416
Non-controlling interests	**286,869**	303,695
Total equity	**2,844,879**	3,142,111

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 11 September 2019. Its registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the six months ended 30 June 2025, the Group was involved in the provision of residential property management services and non-residential property management and commercial operational services in the People's Republic of China (the "**PRC**").

In the opinion of the Directors, the immediate and ultimate holding company of the Company was Plus Earn Consultants Limited, which was incorporated in the British Virgin Islands ("**BVI**").

2.1 BASIS OF PRESENTATION

The interim condensed financial information for the six months ended 30 June 2025 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting*.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2024, which have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards ("**HKFRSs**"), HKASs and Interpretations).

2.2 ADOPTION OF AMENDMENTS TO HKFRS

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of the following amended HKFRS Accounting Standard for the first time for the current period's financial information.

Amendments to HKAS 21	*Lack of Exchangeability*

The nature and the impact of the amended HKFRS Accounting Standard are described below:

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted with and the functional currencies of group entities for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the interim condensed consolidated financial information.

The adoption of the above amended HKFRS Accounting Standard has had no significant financial effect on the interim condensed financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into two reportable operating segments as follows:

(a) Residential property management services; and

(b) Non-residential property management and commercial operational services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

The revenue from external customers reported to management is measured as segment revenue, which is the revenue derived from the customers in each segment.

No analysis of segment assets and segment liabilities is presented as this information is not regularly provided to the management for review.

The following is an analysis of the Group's revenue and results by operating and reportable segment:

Six months ended 30 June 2025

	Residential property management services *RMB'000* **(Unaudited)**	**Non-residential property management and commercial operational services** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Segment revenue	**833,961**	**824,176**	**1,658,137**
Segment result	**167,143**	**101,795**	**268,938**
Reconciliation:			
Interest income and unallocated income			**7,473**
Unallocated expenses			**(429,516)**
Finance costs			**(11,082)**
Loss before tax			**(164,187)**
Income tax expenses			**(112,439)**
Loss for the period			**(276,626)**

Six months ended 30 June 2024

	Residential property management services *RMB'000* (Unaudited)	Non-residential property management and commercial operational services *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue	897,173	1,026,198	1,923,371
Segment result	183,669	208,192	391,861
Reconciliation:			
Interest income and unallocated income			8,770
Unallocated expenses			(284,543)
Finance costs			(17,455)
Profit before tax			98,633
Income tax expenses			(28,741)
Profit for the period			69,892

Geographical information

The Group's revenue from customers is derived solely from its operations and services rendered in Chinese Mainland, and the non-current assets of the Group are mainly located in Chinese Mainland.

Information about major customers

For the six months ended 30 June 2025 and 2024, approximately RMB140,450,000 and RMB284,917,000 of revenue were derived from KWG Group Holdings Limited and its subsidiaries, joint ventures, associates and other related parties, respectively.

4. REVENUE AND CONTRACT LIABILITIES

Revenue from contracts with customers

Revenue comprised proceeds from residential property management services and non-residential property management and commercial operational services for the six months ended 30 June 2025 and 2024. An analysis of revenue is as follows:

(a) Disaggregated revenue information

	Six months ended 30 June	
	2025	2024
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of services by segment:		
Residential property management services		
Pre-sale management services	**34,875**	44,183
Property management services	**725,983**	733,118
Community value-added services	**73,103**	119,872
	833,961	897,173
Non-residential property management and commercial operational services		
Pre-sale management services	**5,093**	11,088
Property management services	**748,674**	914,530
Commercial operational services	**25,183**	40,541
Other value-added services	**45,226**	60,039
	824,176	1,026,198
Total revenue from contracts with customers	**1,658,137**	1,923,371
Timing of revenue recognition		
Revenue from contracts with customers recognised over time	**1,590,221**	1,825,684
Revenue from contracts with customers recognised at a point in time	**67,916**	97,687
Total	**1,658,137**	1,923,371

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

For residential property management services and non-residential property management and commercial operational services, the Group recognised revenue in the amount that equals to the rights to invoices which corresponds directly with the value to the customers of the Group's performance to date. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts because the performance obligation is part of a contract that has an original expected duration of one year or less, and there was unsatisfied performance obligation at the end of the respective periods.

Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at	
	30 June 2025	31 December 2024
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Third parties	**284,964**	268,227
Related parties	**604**	893
	285,568	269,120

Contract liabilities of the Group mainly arise from the advance payments received from customers for services yet to be provided.

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2025	2024
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**1,040**	1,340
Government grants	**2,038**	2,337
Gains on disposal of items of property, plant and equipment, net	**80**	181
Late penalty income	**2,408**	1,841
Tax incentives on value-added tax	**1,178**	1,515
Others	**729**	1,556
	7,473	8,770

6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2025	2024
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of services provided	**1,239,313**	1,359,398
Depreciation of property, plant and equipment*	**14,479**	12,102
Amortisation of other intangible assets**	**38,239**	60,274
Gain on disposal of items of property, plant and equipment, net	**(80)**	(181)
Employee benefit expense (excluding Directors' and chief executive's remuneration)*		
Wages and salaries	**506,763**	543,662
Share-based compensation expenses	**595**	874
Pension scheme contributions	**51,763**	52,008
Other employee benefits	**53,964**	55,592
	613,085	652,136
Impairment losses on property, plant and equipment***	**28,775**	—
Impairment losses on goodwill***	**84,450**	55,442
Impairment losses on other intangible assets***	**—**	30,865
Net impairment losses recognised on financial assets:		
Trade receivables***	**237,196**	127,021
Prepayments, other receivables and other assets***	**14,589**	1,706

* The depreciation of property, plant and equipment and employee benefit expense are included in "Cost of sales" and "Administrative expenses" in the condensed consolidated statement of profit or loss.

** The amortisation of other intangible assets is included in "Administrative expenses" in the condensed consolidated statement of profit or loss.

*** Impairment losses on property, plant and equipment, impairment losses on goodwill, impairment losses on other intangible assets and net impairment losses recognised on trade receivables, and prepayments, other receivables and other assets are included in "Other expenses, net" in the condensed consolidated statement of profit or loss.

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the BVI, the entities within the Group incorporated in the Cayman Islands and the BVI are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2025.

The income tax provision of the Group's subsidiaries established in the PRC in respect of its operation in Chinese Mainland was calculated at the tax rate of 25% on their assessable profits for the six months ended 30 June 2025, if applicable, based on the existing legislation, interpretations and practice in respect thereof. Certain subsidiaries of the Group operating in the PRC enjoyed a preferential corporate income tax rate of 15% during the six months ended 30 June 2025.

	Six months ended 30 June	
	2025	2024
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current	**59,571**	89,268
Deferred	**52,868**	(60,527)
	112,439	28,741

8. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted (losses)/earnings per share is based on the loss attributable to ordinary equity holders of the parent of approximately RMB268,121,000 for the six months ended 30 June 2025 (for the six months ended 30 June 2024: profit attributable to ordinary equity holders of the parent of approximately RMB57,838,000), and the weighted average number of shares of 2,025,858,916 (for the six months ended 30 June 2024: 2,025,858,916) in issue during the six months ended 30 June 2025.

9. GOODWILL

	30 June	31 December
	2025	2024
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of the period/year:		
Cost	**1,743,159**	1,743,159
Accumulated impairment	**(1,029,263)**	(399,255)
Net carrying amount	**713,896**	1,343,904
Net carrying amount at beginning of the period/year	**713,896**	1,343,904
Impairment during the period/year	**(84,450)**	(630,008)
Net carrying amount at end of the period/year	**629,446**	713,896
At end of the period/year:		
Cost	**1,743,159**	1,743,159
Accumulated impairment	**(1,113,713)**	(1,029,263)
Net carrying amount	**629,446**	713,896

Impairment testing of goodwill

For the purpose of impairment testing, goodwill acquired through business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs.

The goodwill allocated to each of the CGUs in as follows:

	As at	
	30 June 2025	31 December 2024
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
CGU		
Guangdong Gangyu Enterprise Management Co., Ltd.*	**134,718**	134,718
Guangzhou Runtong Property Management Co., Ltd.*	**125,490**	125,490
Shanghai Shenqin Property Management Service Co., Ltd.*	**439,567**	439,567
Guangdong Telijie Environment Engineering Co., Ltd.*	**135,678**	135,678
Living Technology Co., Ltd.*	**907,706**	907,706
	1,743,159	1,743,159

* The English name represents the best efforts made by the directors of the Company to translate the Chinese name as it does not have any official English name.

Impairment test on the goodwill should be performed annually or when the management is aware of events and circumstance changes that might be identified as goodwill impairment indicators. Impairment losses on goodwill for the six months ended 30 June 2025 amounted to approximately RMB84,450,000 (for the six months ended 30 June 2024: approximately RMB55,442,000).

10. TRADE RECEIVABLES

	As at	
	30 June 2025	31 December 2024
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Related parties	**2,285,155**	2,231,188
Third parties	**1,818,874**	1,574,347
Trade receivables	**4,104,029**	3,805,535
Less: Allowance for impairment of trade receivables	**(1,258,835)**	(1,021,895)
	2,845,194	2,783,640

An ageing analysis of the trade receivable as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	As at	
	30 June 2025	31 December 2024
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**978,105**	1,166,275
1 to 2 years	**734,026**	734,231
2 to 3 years	**1,001,811**	812,115
Over 3 years	**131,252**	71,019
	2,845,194	2,783,640

11. TRADE PAYABLES

	As at	
	30 June 2025	31 December 2024
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Related parties	**4,751**	3,695
Third parties	**658,492**	605,337
	663,243	609,032

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at	
	30 June 2025	31 December 2024
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**541,780**	492,248
1 to 2 years	**88,509**	88,853
2 to 3 years	**19,610**	18,057
Over 3 years	**13,344**	9,874
	663,243	609,032

12. DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2025 (for the six months ended 30 June 2024: Nil).

CHAIRMAN'S STATEMENT

Dear Shareholders,

Thanks for your continued support for the Group's development. I am pleased to present the interim results of the Group for the six months ended 30 June 2025.

In the first half of 2025, the Chinese economy maintained its fundamental resilience under the guidance of policies of "stabilizing growth, promoting development, and regulating the economic structure." At the policy level, the Central People's Government continued to propel the standardized and professional development of property services, specified and emphasized the industry's development direction of focusing on service quality. Against this backdrop, the property service industry accelerated its transformation under the dual drivers of policy regulation and market competition. Increasingly more property service companies focused on "enhancing quality and efficiency," striving to build competitive barriers by continuously optimizing their service processes, enhancing customer experience and boosting operational efficiency.

As a key downstream segment of the real estate industry chain, the property service industry remains in a phase of intensive structural adjustment and cyclical recovery. Amid this complex and ever-changing market landscape, the Group's operational performance was also posed with certain pressures and challenges. For the six months ended 30 June 2025, the Group recorded revenue of approximately RMB1,658.1 million, down 13.8% year-on-year, and net loss of approximately RMB276.6 million, representing a downturn from net profit for the corresponding period in 2024.

I. Balancing emphasis on deepening both regional and sectoral presence

First- and second-tier higher-tier cities, with their economic vibrance, stable spending power and service demand, have become the core arena of competition for property service companies. The 2025 Central Urban Work Conference (2025年中央城市工作會議) mentioned "the development of agglomeration-based or networked modern urban clusters and metropolitan areas," which further clarifies the direction for property service companies to deepen their regional presence. The Group continued to pursue its development strategy of "focusing on the four major regions and deepening its presence in higher-tier cities", further consolidating its business layout in core regions during the six months ended 30 June 2025. As of 30 June 2025, the proportion of the Group's projects under management in the Greater Bay Area and Yangtze River Delta Area accounted for approximately 57%, while the proportion of projects under management in first-tier, new first-tier and second-tier cities accounted for approximately 63%.

In terms of business expansion, in addition to the existing diversified business expansion strategy, the Group actively deployed its market expansion plan in the sector of facility management ("**FM**") catering for the properties of large-scale enterprise. By deepening its professional capabilities in areas such as comprehensive facility operation and maintenance and smart system control, the Group strengthened its competitiveness in the sector. During the first half of 2025, the Group successfully expanded into various high-quality projects, laying a foundation for business structural optimisation and sustainable growth.

II. Seizing the consumption trends and focusing on scenario value

In the first half of 2025, the domestic consumer market grew under the impetus of policies to expand domestic demand. For the six months ended 30 June, 2025, the overall customer traffic of the Group's shopping centers increased by 5% year-on-year, with overall occupancy rates and fee collection rates maintaining a steady level. Nonetheless, certain potential for domestic consumer demand remained untapped. According to market performance, the application of big data continued to penetrate consumption scenarios, with consumers showing a willingness to pay for emotional value, and market entities actively exploring channels to unlock consumption potential. In this context, despite the challenging market environment, the Group's commercial operations team continued to monitor and seize the consumption trends, deepen its insights for business opportunities, and iterate differentiated commercial strategies. By launching scenario-based initiatives to create unique consumption experiences, the team aims to strengthen the service reputation and market recognition of the commercial properties. In January 2025, Beijing Hejing • M • Cube Shopping Center ("**Beijing M • Cube**") facilitated the return of the Chongwenmen Vegetable Market to its original site after 15 years, about which the public gossips have aroused consumer attention. The Group's commercial operations team completely renovated the space of 2,400 square metres on the B2 floor of Beijing M • Cube, preserving the bustling atmosphere of a traditional vegetable market while creating various themed scenarios to attract young people for experiences and consumption, thereby developing a collective emotional value carrier under commercial scenarios. For the six months ended 30 June 2025, Beijing M • Cube registered a 34% year-on-year increase in customer traffic and a 54% year-on-year growth in sales.

III. Upholding service quality and enhancing service capability

As the property service sector has been ushered into the era of "quality first", the stability and refinement of basic services have become the key to customer decision. At the policy level, quality assessment standards for property services were gradually rolled out across various regions, driving the industry to shift its focus from "scaling up" to "enhancing quality". Indicators such as customer satisfaction and professionalism of services have become the core dimensions of competition in the industry.

The Group has always upheld quality operations as the cornerstone of its core development. During the six months ended 30 June 2025, we prioritised our coordinated efforts in three key dimensions, namely project operation capability, service capability and cost control capability. In terms of project operation capability, the Group focused on the primary needs and concerns of customers, and continued to enhance the quality of the completed work orders and customer satisfaction by offering customised service solutions on a "project-tailored policy" basis in a bid to achieve long-term, sustainable, and robust project operations as our core objective, systematically strengthening the foundation of its project operations. In terms of service capability, the Group integrated and refined its full-process service standards, encouraging frontline service personnel to upgrade with more proactive and personalised services rather than merely standardized performance. Based on the different characteristics among the project acceptance phase, adjustment phase and steady operation phase, the Group also dynamically adjusted service solutions to ensure precise alignment of service quality and customer demands. In terms of cost control capability, the Group innovated the supply chain model to curb costs which are not customer sensitive, focusing on the precise alignment of service solutions and costs invested. We aim to achieve a balanced optimization of quality and efficiency by always adhering to our bottom line of not compromising customer experience.

IV. Deepening talent development and boosting organisational efficiency

During the phase of further transformation of the industry, developing talent pipelines and enhancing organisational efficiency have become the core drivers of sustainable corporate development. The property management industry is under dual pressure from rising labour costs and a shortage of professional talent. Leading enterprises generally bolster its competitiveness with talent pool through measures such as optimising their organisational structures, developing systematic training systems, and improving employee incentive and welfare mechanisms, laying a solid foundation for high-quality development.

The Group highly values the systematic building and professional development of its talent system. During the six months ended 30 June 2025, it continued to deepen organizational and talent reforms: on the one hand, the Group put efforts in breaking down hierarchical barriers and business boundaries, establishing a seamless flow mechanism of talents that enables "vertical integration and horizontal collaboration", promoting the dynamic allocation of talents across different businesses, projects and functional lines to precisely meet the needs of diversified business scenarios, thereby enhancing the overall flexibility and responsiveness of the organization; on the other hand, the Group put focused efforts in precision training, deeply integrating its training system with business practice. For the six months ended 30 June 2025, the "KWG Business School" learning platform added and optimized multiple professional skill and management skill courses tailored for frontline engineering personnel, with the cumulative number of viewers exceeding 150,000, while the basic and advanced courses of the "Housekeeper Academy" for housekeepers covered 370 housekeepers from residential projects. In terms of employee care, the Group optimized remuneration incentives and career development pathways to effectively enhance the sense of belonging and job security of employees. Team cohesion and competence have been continuously strengthened, providing a solid talent base for the high-quality development of the business.

FUTURE OUTLOOK

In the second half of 2025, global economic uncertainty will persist, while the domestic economy is expected to continue its momentum of steady recovery. The property management industry will continue to transition towards "quality-oriented, professional, and market-driven" development. The Group will adhere to the strategy of "prioritizing stability with distinctive quality": first, deepen its presence in core regions and advantageous businesses to enhance efficiency in market expansion; second, strengthen its ability to operate commercial assets and seize opportunities from consumption upgrades; third, continue to iterate its quality service system to further securing the customer value sustainability; and fourth, consolidate the talent and organizational foundations to support long-term sustainable development.

Thanks for the trust and support of all shareholders, partners and employees of the Group. The Group will continue to create value through professional services, and partner with all parties to embrace a sustainable future.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2025, as the property management industry in the PRC further progressed into a period of in-depth adjustment, the overall expansion of industry slowed down, competition increasingly intensified, and customers had higher demands on service quality and value for money. Under the complex external operating environment and internal cost pressures, the Group adhered to a strategy of seeking progress while maintaining stability, focusing on refined management and operational structure optimization, and prudently promoting the development of various businesses. However, being affected by factors such as slower-than-expected macroeconomic recovery, ongoing pressure of industry adjustment, and adjustments to certain businesses, its performance was under pressure during the six months ended 30 June 2025. For the six months ended 30 June 2025, the Group recorded total revenue of approximately RMB1,658.1 million, representing a year-on-year decrease of 13.8%; and recorded a net loss of approximately RMB276.6 million, representing a downturn from net profit for the corresponding period in 2024.

Ongoing Pressure of Industry Adjustment

In the first half of 2025, the residential property management market overall showed a slowing trend due to the combined impact of macroeconomic fluctuations and ongoing adjustments in the real estate industry. As a property service provider, the Group saw a year-on-year decrease in the number of sales offices of properties under its services, with a noticeable slowdown in the pace of customer base development and corresponding decline in demand for front-end property services. At the same time, the demand of real estate developers, as its clients, for value-added services fell, leading to a decrease in related revenue. During the six months ended 30 June 2025, revenue from residential property management services decreased by 7.0% year-on-year to approximately RMB834.0 million. Despite this, the Group has maintained its high-quality service standards for the existing residential projects under management and continued to enhance home owners' satisfaction and service refinement to consolidate the foundation of its core business. Amidst the current market uncertainties, the Group will continue to carefully assess the development trend of the industry, flexibly adjust project expansion and service strategies in an effort to maintain steady operations while ensuring risk control.

Prudent Adjustments to Certain Businesses

In response to the ongoing structural challenges faced by the urban services segment, including, among others, extended fee recovery cycles and price pressures, the Group has continued its prudent operation strategy and carried out orderly adjustments and optimizations to its urban services business. In particular, during the six months ended 30 June 2025, the Group adopted a more prudent approach in expanding urban services projects in certain regions under fiscal pressures, proactively reducing investments in low-efficiency resources to avoid inefficient expansion. Meanwhile, the Group conducted risk reassessments of certain public property and commercial projects, optimizing the project portfolios and resource allocation efficiency. In addition, certain commercial projects were reclassified to a mode using net recognition method in accordance with contract terms during the six months ended 30 June 2025, resulting in a change in the manner of revenue recognition, which posed some impact on the size of revenue. Overall, revenue from non-residential property management and commercial operational services decreased by 19.7% year-on-year to approximately RMB824.2 million during the six months ended 30 June 2025. Looking forward, the Group will focus on profitability and cash returns, prioritizing resource allocation to high-quality projects with sustainability and controllable risks, steadily pushing forward the structural adjustments in the non-residential field, and consolidating the foundation for long-term development.

Reducing Costs and Increasing Efficiency to Enhance Operation

Facing various pressures from the macroeconomic environment and industry adjustments, the Group persistently launched measures to reduce costs and increase efficiency. In response to squeezed room for profitability in the industry and rising labor, materials and other primary costs, the Group continued to advance refined management and cost structure optimization, consolidating its core operations and boosting operational efficiency. In the first half of 2025, the Group's overall operating costs decreased by 8.8% year-on-year, with labor costs decreasing by 5.8% year-on-year, reflecting the initial results of the Group's efforts in organizational optimization and improving labor efficiency. During the first half of 2025, the Group reorganized its business processes and job positions, implemented personnel restructuring and cross-departmental resource sharing models, thereby optimizing job positions. At the same time, the Group introduced technological means for smart inspection, remote monitoring, and self-service reporting repairs to curb repetitive manual work and improve management efficiency of individuals. In addition, the Group further integrated its procurement channels, continued to adopt centralized procurement mechanisms and supply chain management optimization, effectively controlling procurement costs while ensuring service quality.

In addition, the Group remained committed to pursuing cost effectiveness, and continued to push forward the cost reduction and efficiency enhancement initiatives in various aspects, including organizational structure, management processes and resource integration, to comprehensively enhance operational management efficiency. During the six months ended 30 June 2025, the Group's administrative expenses decreased by 13.5% year-on-year, reflecting the resilience of the Group's management efficiency. In particular, the Group implemented flat management by streamlining and optimizing the functional boundaries of each business segment, so as to reduce intermediate levels and improve decision-making and response speed. Notably, the Group continued to promote the development of intelligent systems, and drive the digital upgrade of various core business and financial systems to achieve business-finance integration, process standardization and information automation, thereby effectively reducing communication costs.

Impact of Impairment of Certain Assets

(i) The Group recorded impairment provision of approximately RMB237.2 million for trade receivables for the six months ended 30 June 2025. This was primarily due to the continuous downturn of the real estate industry in the PRC and the significant changes in the market environment including weakened demand and downward pressure on housing prices, which posed challenges on the overall business conditions and accordingly, slowed the recovery of trade receivables of the Group. As such, the Company prudently assessed the amount of impairment provisions for trade receivables and made reasonable accounting estimates;

(ii) The Group made a reduction for deferred tax assets of approximately RMB132.5 million leading to an increase in income tax expenses for the six months ended 30 June 2025. This was primarily due to the continued pressure on the macroeconomic environment, resulting in increasing impairment provisions for trade receivables. The Group has reduced the carrying amount of deferred tax assets of certain subsidiaries as the Group expects that such subsidiaries is unlikely to have sufficient taxable profits in future periods to utilise the benefits of such deferred tax assets;

(iii) The Group recorded impairment provision of approximately RMB84.5 million and RMB28.8 million, respectively, for goodwill and property, plant and equipment for the six months ended 30 June 2025. This was primarily due to non-renewal of certain contracts of certain subsidiaries acquired by the Group in prior periods resulted from intense market competition. The expansion of new customer bases of these subsidiaries also fell short of expectations, which coupled with the increase in cost for service quality enhancements, led to a decrease in revenue and operating profit of such subsidiaries. Despite the reported decline in operating profits, these subsidiaries still recorded net operating profits during the six months ended 30 June 2025.

During the six months ended 30 June 2025, despite the Group's multiple efforts to enhance efficiency and reduce operating costs and management expenses, the combined impact of revenue decline, impairment of trade receivables, goodwill and property, plant and equipment, as well as decrease in deferred tax assets, resulted in a net loss of RMB276.6 million recorded by the Group.

Despite overall performance was under pressure, the Group achieved positive progress in certain key aspects, laying a solid foundation for steady development in the future.

Continuous Increase in Business Independence

In the first half of 2025, under volatile macroeconomic environment and industry adjustment pressures, the Group continued to deepen its market-oriented strategy, focusing on third-party market expansion to further enhance business independence and risk-resilience. During the six months ended 30 June 2025, revenue from independent third parties increased from 85.2% in the corresponding period of 2024 to 91.5%, reflecting substantial progress in reducing reliance on the business of related parties and expanding external markets. Among these, revenue from third parties in the residential segment remained stable with an increase of 1.8% from the corresponding period of 2024. As the Group's brand recognition and comprehensive service capabilities improved, the Group will remain focused on core urban clusters, and strengthen its differentiated competitive advantages in a bid to establish a sustainable and independent operation model.

Increasingly More Balanced Regional Layout

In the first half of 2025, in the face of regional differences in economic vitality and industrial structure, the Group remained committed to its strategy of focusing on further development in key regions. During the six months ended 30 June 2025, the Greater Bay Area and the Yangtze River Delta region counted for 63.4% of the Group's revenue, serving as a steady support for the revenue stream of the Group. In particular, the Group continued to expand its third-party projects in first-tier and top second-tier cities while actively expanding into the high-potential "segment of property FM on behalf of large-scale enterprises." At the same time, the Group continued to selectively develop projects in other non-key regions to enhance the profitability and resilience of its overall project portfolio. The ongoing optimization of regional layout not only helps the Group control operating costs and improve resource utilization efficiency, but also lays a solid foundation for centralized management and enhanced regional brand influence in the future.

Looking forward, the property management industry will continue to face various challenges and changes. The Group will continue to prudently address market fluctuations, optimize business structure, strengthen internal control and management, and actively identify cost-effective projects with stable returns to enhance operational quality and sustainable development capabilities.

BUSINESS MODEL

The Group generates revenue primarily from two principal business segments: (i) residential property management services; and (ii) non-residential property management and commercial operational services.

Residential Property Management Services

The Group provides residential property management services to afford various services meeting the needs of households and residents in the community under different daily-living scenarios, including:

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers during their pre-sale activities. The Group charges a fixed service fee for such services;

- property management services such as cleaning, security, gardening and repair and maintenance services to (i) property developers for the undelivered portion of the properties; and (ii) property owners, property owners' associations or residents for properties sold and delivered. The Group charges property management fees for such services; and

- community value-added services such as (i) home-living services — the provision of a wide range of services catered to the personalised needs of owners through the integration of industrial and ecological resources; (ii) property agency services — property agency services provided to property owners, residents and property developers; and (iii) common area value-added services — aiming to provide daily-living convenience to property owners and residents and enhance the owners' sense of pleasant accommodation by utilising the community space. The Group typically charges a commission or a fixed fee depending on the nature of services rendered.

Non-residential Property Management and Commercial Operational Services

The Group manages and operates a diversified portfolio of non-residential properties, provides property management and commercial operational services to commercial properties such as shopping malls, office buildings and industrial parks, and provides property management services to schools, hospitals, government authorities and other public properties. The Group's services include:

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers. The Group charges a fixed service fee for such services;

- property management services such as file management, cleaning, security, gardening and repair and maintenance services to property owners or tenants. The Group charges property management fees for such services;

  — property management services for commercial properties: the Group charges property management fees for property management services provided to commercial properties (including shopping malls and office buildings);

  — public property services and urban services: the Group charges corresponding management fees for property management services provided to public properties (including schools, hospitals, government authorities, industrial parks and transportation hubs) and for urban cleaning services provided to urban spaces (including urban roads, rivers and others);

- commercial operational services such as preliminary planning and consultancy services, tenancy sourcing services, tenancy management services and marketing and promotion services to property owners and property developers. The Group typically charges (i) a commission-based fee with respect to the operation of shopping malls; (ii) a profit mark-up on top of the costs with respect to the operation of office buildings; and (iii) a fixed service fee on a per square metre basis for its preliminary planning and consultancy services and tenancy sourcing services; and

- other value-added services such as primarily common area value-added services. The Group typically charges a commission-based fee or a fixed fee depending on the nature of services rendered.

Breakdown of Total Revenue by Business Segments and Regions

The table below sets forth the breakdown of the Group's total revenue by business segments for the reporting periods indicated:

	Six months ended 30 June			
	2025		2024	
	RMB'000	*%*	*RMB'000*	*%*
Residential property management services				
Pre-sale management services	**34,875**	**2.1**	44,183	2.3
Property management services	**725,983**	**43.8**	733,118	38.1
Community value-added services	**73,103**	**4.4**	119,872	6.2
Sub-total	**833,961**	**50.3**	897,173	46.6
Non-residential property management and commercial operational services				
Pre-sale management services	**5,093**	**0.3**	11,088	0.6
Property management services				
— Commercial properties	**175,228**	**10.6**	256,912	13.4
— Public property and urban area	**573,446**	**34.6**	657,618	34.2
Commercial operational services	**25,183**	**1.5**	40,541	2.1
Other value-added services	**45,226**	**2.7**	60,039	3.1
Sub-total	**824,176**	**49.7**	1,026,198	53.4
Total	**1,658,137**	**100.0**	1,923,371	100.0

Residential Property Management Services

For the six months ended 30 June 2025, the revenue of the Group's residential property management services segment decreased by 7.0% year-on-year to approximately RMB834.0 million as compared to approximately RMB897.2 million for the corresponding period in 2024. Such decrease in revenue was primarily due to the decrease in the number of sales offices of residential properties under the Group's management, as a result of the pressure encountered by the real estate market, which led to a decrease in revenue from both the pre-sale management services and other value-added services in the residential segment.

During the six months ended 30 June 2025, despite that the revenue of the Group's residential property management services segment has been affected by the pressure encountered by the real estate market (e.g. the decrease in revenue from pre-sale management services and value-added services), the Group maintained its focus on the core regions and continued to push forward its business development layout in the economically developed regions. The distribution of revenue from the residential segment across four regions remained broadly stable, with revenue derived from the Greater Bay Area and the Yangtze River Delta region accounting for 56.8%.

The table below sets forth a breakdown of the Group's total revenue generated from residential property management services for the periods indicated by regions:

	Six months ended 30 June			
	2025		2024	
	Revenue *(RMB'000)*	***%***	Revenue *(RMB'000)*	*%*
Greater Bay Area	**315,437**	**37.8**	345,231	38.5
Yangtze River Delta[1]	**158,170**	**19.0**	171,524	19.1
Midwest China and Hainan[2]	**318,157**	**38.1**	332,926	37.1
Bohai Economic Rim[3]	**42,197**	**5.1**	47,492	5.3
Total	**833,961**	**100.0**	897,173	100.0

Notes:

(1) Include Shanghai Municipality, Zhejiang Province, Anhui Province and Jiangsu Province.

(2) Include Sichuan Province, Yunnan Province, Hubei Province, Hunan Province, Jiangxi Province, Guangxi Zhuang Autonomous Region, Guizhou Province, Henan Province, Fujian Province, Hainan Province, Xinjiang Uygur Autonomous Region and Chongqing Municipality.

(3) Include Beijing Municipality, Tianjin Municipality and Shandong Province.

Non-residential Property Management and Commercial Operational Services

For the six months ended 30 June 2025, the revenue of the Group's non-residential property management and commercial operational services segment decreased by approximately 19.7% year-on-year to approximately RMB824.2 million as compared to approximately RMB1,026.2 million for the corresponding period in 2024. Such decrease was primarily attributable to the Group's decision to carry out strategic contraction by adopting a more prudent approach to commencing business in regions facing fiscal pressure and selecting market opportunities in public property services and urban services sectors on a more stringent basis in view of the pressure on profitability and changes in the market environment encountered by the urban services business In addition, the terms of the management services contracts of certain commercial property projects were adjusted from a lump sum basis to a net basis, resulting in a year-on-year decrease in the revenue of commercial property management services during the six months ended 30 June 2025.

During the six months ended 30 June 2025, the regional distribution of the revenue from non-residential property management and commercial operational services segment remained broadly stable. Among which, the decrease in revenue derived from the Greater Bay Area was primarily due to the strategic contraction of the urban services business and the adjustment of the terms of the management services contracts of certain commercial property projects from a lump sum basis to a net basis. The decrease in revenue derived from the other three regions was mainly due to the adjustment of the terms of the management services contracts of certain commercial property projects from a lump sum basis to a commission basis.

The table below sets forth a breakdown of the Group's total revenue generated from non-residential property management and commercial operational services for the periods indicated by regions:

	Six months ended 30 June			
	2025		2024	
	Revenue *(RMB'000)*	***%***	Revenue *(RMB'000)*	*%*
Greater Bay Area	**308,170**	**37.4**	413,154	40.3
Yangtze River Delta[1]	**270,102**	**32.8**	328,768	32.0
Midwest China and Hainan[2]	**111,412**	**13.5**	137,633	13.4
Bohai Economic Rim[3]	**134,492**	**16.3**	146,643	14.3
Total	**824,176**	**100.0**	1,026,198	100.0

Notes:

(1) Include Shanghai Municipality, Zhejiang Province, Anhui Province and Jiangsu Province.

(2) Include Sichuan Province, Chongqing Municipality, Hubei Province, Hunan Province, Henan Province, Shaanxi Province, Jiangxi Province, Yunnan Province, Guizhou Province, Guangxi Zhuang Autonomous Region and Hainan Province.

(3) Include Beijing Municipality, Tianjin Municipality and Shandong Province.

FINANCIAL REVIEW

Revenue

The Group derived its revenue from two business segments, namely the residential property management service segment and non-residential property management and commercial operational service segment.

The table below sets forth the breakdown of revenue of the Group by business segments for the periods indicated:

	Six months ended 30 June			
	2025		2024	
	RMB'000	*%*	*RMB'000*	*%*
Residential property management services	**833,961**	**50.3**	897,173	46.6
Non-residential property management and commercial operational services	**824,176**	**49.7**	1,026,198	53.4
Total	**1,658,137**	**100.0**	1,923,371	100.0

Residential Property Management Services

The following table sets forth a breakdown of the Group's revenue from residential property management services by service line for the periods indicated:

	Six months ended 30 June			
	2025		2024	
	RMB'000	*%*	*RMB'000*	*%*
Pre-sale management services	**34,875**	**4.2**	44,183	4.9
Property management services	**725,983**	**87.0**	733,118	81.7
Community value-added services	**73,103**	**8.8**	119,872	13.4
Total	**833,961**	**100.0**	897,173	100.0

Pre-sale Management Services

Revenue generated from pre-sale management services under the Group's residential property management service segment decreased from approximately RMB44.2 million for the six months ended 30 June 2024 to approximately RMB34.9 million for the six months ended 30 June 2025. This decrease was primarily due to the decrease in the number of sales offices of residential properties under the Group's management as a result of the continuous downturn of the real estate market in the PRC.

Property Management Services

Revenue generated from property management services under the Group's residential property management service segment slightly decreased from approximately RMB733.1 million for the six months ended 30 June 2024 to approximately RMB726.0 million for the six months ended 30 June 2025.

Community Value-added Services

Revenue generated from community value-added services under the Group's residential property management service segment decreased from approximately RMB119.9 million for the six months ended 30 June 2024 to approximately RMB73.1 million for the six months ended 30 June 2025. The decrease was mainly due to the weak macroeconomic environment, leading to a decrease in customers' demand for valued-added services.

Non-residential Property Management and Commercial Operational Services

The following table sets forth a breakdown of the Group's revenue from non-residential property management and commercial operational services by service line for the periods indicated:

	Six months ended 30 June			
	2025		2024	
	RMB'000	***%***	*RMB'000*	*%*
Pre-sale management services	**5,093**	**0.6**	11,088	1.1
Property management services	**748,674**	**90.8**	914,530	89.1
Commercial operational services	**25,183**	**3.1**	40,541	4.0
Other value-added services	**45,226**	**5.5**	60,039	5.8
Total	**824,176**	**100.0**	1,026,198	100.0

Pre-sale Management Services

Revenue generated from pre-sale management services under the Group's non-residential property management and commercial operational service segment decreased from approximately RMB11.1 million for the six months ended 30 June 2024 to approximately RMB5.1 million for the six months ended 30 June 2025. This decrease was primarily due to the decrease in the number of sales offices of non-residential properties under the Group's management during the six months ended 30 June 2025 as a result of the continuous downturn of the real estate market in the PRC.

Property Management Services

Revenue generated from property management services under the Group's non-residential property management and commercial operational service segment decreased from approximately RMB914.5 million for the six months ended 30 June 2024 to approximately RMB748.7 million for the six months ended 30 June 2025. The decrease was largely due to the strategic contraction of the urban services business and the adjustment of commercial terms from a lump sum basis to a commission basis for some of the commercial property projects managed by the Group during the six months ended 30 June 2025.

Commercial Operational Services

Revenue generated from commercial operational services under the Group's non-residential property management and commercial operational service segment decreased from approximately RMB40.5 million for the six months ended 30 June 2024 to approximately RMB25.2 million for the six months ended 30 June 2025. Such decrease was primarily due to the decrease in the number of shopping centres at preparation stage to which the Group provided preliminary planning and consultancy services during the six months ended 30 June 2025.

Other Value-added Services

Revenue generated from other value-added services under the Group's non-residential property management and commercial operational service segment decreased from approximately RMB60.0 million for the six months ended 30 June 2024 to approximately RMB45.2 million for the six months ended 30 June 2025. The decrease was mainly due to the weak macroeconomic environment, leading to a decrease in customers' demand for valued-added services.

Cost of Sales

The Group's cost of sales represents costs and expenses directly attributable to the provision of its services, which comprises (i) labour costs; (ii) subcontracting costs; (iii) utilities costs; (iv) office expenses; (v) cleaning expenses; (vi) rent and management fees for staff dormitory and car parks; (vii) security expenses; and (viii) others. For the six months ended 30 June 2025, the total cost of sales of the Group was approximately RMB1,239.3 million, which decreased by approximately RMB120.1 million or 8.8% as compared to approximately RMB1,359.4 million for the corresponding period in 2024, which is generally in line with the decline in revenue of the Group during the six months ended 30 June 2025.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately RMB145.2 million or 25.7% to approximately RMB418.8 million for the six months ended 30 June 2025 from approximately RMB564.0 million for the six months ended 30 June 2024. The Group reported gross profit margin of approximately 25.3% for the six months ended 30 June 2025 (for the six months ended 30 June 2024: approximately 29.3%).

Other Income and Gains

The other income and gains of the Group decreased by approximately RMB1.3 million or 14.8% to approximately RMB7.5 million for the six months ended 30 June 2025 from approximately RMB8.8 million for the six months ended 30 June 2024, and mainly comprised government grants, late penalty income and tax incentives on value-added tax of approximately RMB2.0 million, RMB2.4 million and RMB1.2 million, respectively.

Administrative Expenses

Administrative expenses mainly consist of (i) salaries and allowances for the Group's administrative and management personnel; (ii) depreciation and amortisation costs; and (iii) office expenses. For the six months ended 30 June 2025, the administrative expenses of the Group were approximately RMB206.7 million, which decreased by approximately RMB32.3 million or 13.5% as compared to approximately RMB239.0 million for the corresponding period in 2024. Such decrease was mainly due to certain other intangible assets arising from acquisition of subsidiaries in previous year had been fully amortised in 2024. In addition, the decrease in administrative expenses also reflected the Group's continuous improvement in management efficiency.

Other Expenses, Net

For the six months ended 30 June 2025, the other expenses of the Group was approximately RMB370.3 million, representing an increase of 68.0% from approximately RMB220.4 million for the six months ended 30 June 2024 and mainly comprised impairment losses on trade receivables of approximately RMB237.2 million, impairment losses on goodwill of approximately RMB84.5 million and impairment losses on property, plant and equipment of approximately RMB28.8 million. The Group made impairment losses on goodwill and property, plant and equipment was mainly due to certain contracts of certain subsidiaries acquired by the Group in previous periods could not be renewed as a result of intense market competition. The expansion of new customers base of these subsidiaries also fell short of expectations, which, coupled with the increase in cost for service quality enhancements, led to a decrease in revenue and profits for such subsidiaries. On the other hand, after taking into consideration of the credit risk and market environment, the Group had recorded appropriate impairment provisions for trade receivables in view of the continuous downturn of the real estate market in the PRC during the six months ended 30 June 2025 which led to slow pace of recovery of trade receivables.

Income Tax

For the six months ended 30 June 2025, the income tax of the Group was approximately RMB112.4 million, which increased by approximately RMB83.7 million or 291.6% as compared to approximately RMB28.7 million for the corresponding period in 2024. Such increase was mainly due to a reduction of the deferred tax assets of the Group leading to increase in income tax expenses of approximately RMB132.5 million for the six months ended 30 June 2025. The Group has reduced the carrying amount of deferred tax assets of certain subsidiaries as it expects that there will be insufficient taxable profits in future periods to utilise the benefits of such deferred tax assets due to the continuous pressure on the macroeconomic environment leading to continuous increase in impairment provision on trade receivables.

Net (Loss)/Profit

As a result of the foregoing, the Group recorded a net loss of approximately RMB276.6 million for the six months ended 30 June 2025, as compared with the net profit of approximately RMB69.9 million for the six months ended 30 June 2024.

FINANCIAL POSITION AND CAPITAL STRUCTURE

Total Assets, Total Liabilities and Current Ratio

As at 30 June 2025, the total assets of the Group was approximately RMB5,999.5 million (as at 31 December 2024: approximately RMB6,184.5 million), and the total liabilities was approximately RMB3,154.6 million (as at 31 December 2024: approximately RMB3,042.4 million). As at 30 June 2025, the current ratio of the Group was 1.72 (as at 31 December 2024: 1.84).

Cash and Cash Equivalents

As at 30 June 2025, the Group's cash and cash equivalents amounted to approximately RMB1,140.9 million, representing a slightly decrease of approximately 0.4% as compared with approximately RMB1,145.6 million as at 31 December 2024. All of the Group's cash and cash equivalents were denominated in RMB except for approximately RMB0.9 million which were denominated in HKD and USD.

Borrowings and Charges on the Group's Assets

As at 30 June 2025, the Group's total borrowings were approximately RMB467.0 million. Among which, approximately RMB132.3 million will be repayable within 1 year and approximately RMB334.7 million will be repayable between 2 and 5 years. The Group's bank and other borrowings were secured by trade receivables, other receivables and property, plant and equipment of the Group with total carrying value of approximately RMB67.3 million, and equity interest of a subsidiary of the Group. The carrying amounts of all the Group's bank and other borrowings were denominated in RMB. All of the Group's bank and other borrowings were charged at floating interest rates except for loan balance of approximately RMB15.6 million which were charged at fixed interest rates of 6.82% to 8.70% per annum as at 30 June 2025.

Trade Receivables

The Group's trade receivables mainly represent receivables from residential property management services and non-residential property management and commercial operational services. The Group's trade receivables as at 30 June 2025 amounted to approximately RMB2,845.2 million, representing a slightly increase of approximately RMB61.6 million or 2.2% as compared to approximately RMB2,783.6 million as at 31 December 2024. Due to the continuous downturn of the real estate market in the PRC during the six months ended 30 June 2025, the pace of recovery of trade receivables continued to be slow. At the same time, the Group had made appropriate impairment provisions during the six months ended 30 June 2025.

Trade Payables

The Group's trade payables as at 30 June 2025 amounted to approximately RMB663.2 million, representing an increase of approximately RMB54.2 million or 8.9% as compared to approximately RMB609.0 million as at 31 December 2024. In order to improve the efficiency of working capital, the Group actively negotiated with certain third-party suppliers to extend the term of payment, resulting in an increase in trade payables as at 30 June 2025.

Gearing Ratio

Gearing ratio is calculated by the net debt (total debt net of cash and cash equivalents and restricted cash) divided by total equity. As the Group was in a net cash position as at 30 June 2025 and 31 December 2024, the gearing ratio was not applicable to the Group.

Contingent Liabilities

As at 30 June 2025 and 31 December 2024, the Group did not have any material contingent liabilities.

Foreign Exchange Risk

The Group mainly operates in the PRC and most of its operations are denominated in RMB. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into currency swap arrangement as and when appropriate for hedging corresponding risks. During the first half of 2025, the Group had not engaged in hedging activities for managing foreign exchange rate risk.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures, nor was there any plan authorised by the Board for other material investments or additions of capital assets during the six months ended 30 June 2025.

USE OF NET PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 October 2020 by way of Global Offering (as defined in the prospectus of the Company dated 19 October 2020, the "**Prospectus**"), raising the total net proceeds (after deducting professional fees, underwriting commissions and other related listing expenses) of approximately HK$2,913.1 million (the "**Net Proceeds**"). For details of the original proposed allocation of the Net Proceeds, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in the Prospectus.

On 29 June 2021, the Group resolved to revise the allocation of the Net Proceeds. Details of the re-allocation are set out in the Company's announcement dated 29 June 2021.

On 10 January 2022, the Board resolved to further adjust the allocation proportion of the Net Proceeds as set out in the announcement of the Company dated 10 January 2022 (the "**Announcement**").

An analysis of the utilisation of the Net Proceeds during the six months ended 30 June 2025 is as follows:

Use of the Net Proceeds as set out in the Announcement	**Revised allocation as stated in the Announcement** *HK$ million*	**Unutilised or unplanned Net Proceeds as at 1 January 2025** *HK$ million*	**Utilised Net Proceeds during the six months ended 30 June 2025** *HK$ million*	**Unutilised or unplanned Net Proceeds as at 30 June 2025** *HK$ million*
To pursue strategic acquisitions and investment opportunities	2,703.4	—	—	—
To upgrade the intelligent service systems:				
— to purchase and upgrade hardware, establish smart terminal equipment and Internet of Things Platform	84.2	70.1	0.2	69.9
— to develop and upgrade the intelligence service systems	36.4	—	—	—
Diversification into value-added services:				
— to cooperate with companies that provide complementary community products and services	36.4	36.4	—	36.4
For general corporate purposes and working capital	52.7	—	—	—
Total	**2,913.1**	**106.5**	**0.2**	**106.3**

Barring unforeseen circumstances, based on the Directors' best estimation, the unutilised or unplanned Net Proceeds will be applied according to the intentions disclosed above before 31 December 2025. However, the actual timing for utilising the Net Proceeds may change.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2025, the Group had 14,391 employees (as at 31 December 2024: 15,577 employees). Compensation for employees of the Group is made with reference to the market as well as individual performance and contributions, and extensive use of bonuses to link performance with reward is adopted For the six months ended 30 June 2025, employees benefit expense amounted to approximately RMB613.1 million (30 June 2024: approximately RMB652.1 million). The Group reviews the remuneration policies and packages on a regular basis and make necessary adjustments that accommodate the pay levels in the industry. In addition to basic salaries, the Group also provides comprehensive benefit packages and career development opportunities, including performance-based bonus payments, share options, share awards, retirement schemes, medical benefits, and both internal and external training appropriate to individual needs.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2025 (for the six months ended 30 June 2024: Nil).

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. During the six months ended 30 June 2025, the Company has applied the principles of good corporate governance and complied with the code provisions as set out in the Corporate Governance Code contained in Part 2 to Appendix C1 (the "**CG Code**") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), save for the deviations for reasons set out below. The Company will continue to review and monitor its corporate governance practices to ensure the compliance of the CG Code.

Code provision C.1.6 of Part 2 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and code provision F.2.2 of the CG Code stipulates that the chairman of the Board (the "**Chairman**") should attend the annual general meeting. Mr. KONG Jianmin, a non-executive Director and the Chairman, was unable to attend the annual general meeting of the Company convened and held on 3 June 2025 due to his other business engagements. In the absence of Mr. KONG Jianmin from the annual general meeting, Mr. KONG Jiannan, an executive Director, acted as the chairman of the annual general meeting to ensure an effective communication with the Shareholders. Mr. KONG Jianmin has also followed up with Mr. KONG Jiannan for any opinions or concerns of the Shareholders expressed at the annual general meeting afterwards.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding Directors' securities transactions. In response to specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2025.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the six months ended 30 June 2025. As at 30 June 2025, the Company did not hold any treasury shares.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive Directors.

The Audit Committee has reviewed the Interim Financial Information.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no material events of the Group subsequent to 30 June 2025 and up to the date of this announcement.

INTERIM REPORT

The 2025 interim report of the Company containing all the financial and other related information of the Group required by the Listing Rules will be published on the Company's website (www.kwgliving.com) and the HKEXnews website (www.hkexnews.hk), and printed copies will be sent to the Shareholders (if requested) before the end of September 2025.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in information of Directors are set out as follows:

(a) Ms. Yang Jingbo resigned as an executive Director and the chief financial officer of the Group with effect from 20 June 2025 due to her desire to devote more time to her personal engagements; and

(b) Mr. Chen Wende was appointed as an executive Director with effect from 20 June 2025.

For details, please refer to the Company's announcement dated 20 June 2025.

By order of the Board
KWG Living Group Holdings Limited
KONG Jianmin
Chairman

Hong Kong, 27 August 2025

As at the date of this announcement, the Board comprises Mr. KONG Jianmin (Chairman) as Non-executive Director; Mr. KONG Jiannan and Mr. CHEN Wende as Executive Directors; and Ms. LIU Xiaolan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum as Independent Non-executive Directors.